

INTRODUCTION

The Office of Internal Audit performed an audit of Cass/St. Joseph County FIA for the period October 1, 2000 through March 31, 2001. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Cass/St. Joseph County FIA had 120 full time equated positions (FTE's) at the time of our review. Cass/St. Joseph County FIA provided assistance to an average 5,983 recipients per month during FY 2000, with total assistance payments of \$7,296,394 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Cass/St. Joseph County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

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|--------------------------------------|-------------------------------|
| Cash Receipts | Cash Disbursements |
| Procurement Card | General Ledger |
| Modified Accrual Basis Balance Sheet | Safe and Controlled Documents |
| EBT Cards | Medical Transportation |
| State Emergency Relief (SER) | Employment Support Services |
| Client Processing | CIS/ASSIST |
| IRS Information Security | Payroll and Timekeeping |

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Cass/St. Joseph County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

LOCAL OFFICE RESPONSE

The management of Cass/St. Joseph County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated September 5, 2001 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Employment Support Services

Affordability of Payments

1. Cass/St. Joseph FIA did not document that clients would be able to afford payments on vehicles they helped them purchase through ESS, as required by PEM 232. We found numerous instances where workers authorized the \$1,200 vehicle purchase maximum for a down payment on a car which cost as much as \$7,995. If clients are unable to afford the payments on the vehicles they purchase, they will not be able to continue to transport themselves to work.

WE RECOMMEND that Cass/St. Joseph FIA only authorize ESS funds for vehicle purchases where the total cost of the vehicle is \$1,200, or where they have documentation that the client will be able to afford the payments on the vehicle.

RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

Changing the Bank Signature Card

2. Cass County FIA had not updated the signature card on file at the bank in several years. For internal control purposes, the signature card should be updated when a new check signer is added, or when an employee who is authorized to sign checks terminates employment with the office, or is no longer authorized to sign checks for any reason.

WE RECOMMEND that Cass County FIA update the signature card on file at the bank to reflect the signatures of those individuals who are currently authorized to sign checks.

Security of Back Up Tapes

3. St. Joseph County FIA did not maintain backup tapes for the Local Accounting System Replacement (LASR) at an appropriate off-site location. The tapes were stored in an employee's vehicle. Backup tapes should be stored at an appropriate off-site location to protect them in the event of a flood, fire, or other disaster, to ensure that the local office would be able to reconstruct its records if necessary.

WE RECOMMEND that St. Joseph County FIA maintain backup tapes at a secure off-site storage location.